



Representative Dan Roach

31st District

Olympia office:

413 John L. O'Brien Bldg.
P.O. Box 40600
Olympia, WA 98504-0600
(360) 786-7846

Toll-free legislative hotline:

1-800-562-6000

TTY-TDD for the Hearing Impaired:

1-800-635-9993

e-mail:

roach_da@leg.wa.gov

Legislative Information on the Internet:

<http://www.leg.wa.gov>

State Budget Update

Controlling Taxes & Making Government Work



November 2001

Dear Friends,

Just one year ago, our state's reserves were brimming with surplus tax money – YOUR surplus tax money. The same can't be said today, however.

Since last year, a growing state government funded by a reckless budget passed earlier this year, combined with our slowing economy, has placed our state in a more uncertain economic situation.

Now, we are in just the fifth-month of a two-year budget cycle, and it appears our state budget is at risk of going in the red. When the Legislature reconvenes in January, lawmakers will need to make some difficult decisions in order to bring the budget into balance and protect important state services for the citizens of Washington.

The tough budget choices we will be forced to make could have been avoided. But instead of passing a responsible budget this year, the governor and Democrats in the Legislature instead forced through a plan that has placed us in this unfortunate situation today. The budget is unsustainable. Our state government could run short by \$1 billion or more. The choice will likely come down to cuts in services or tax increases.

I voted against the budget this year because, after listening to the experts who warned what would happen, I wanted to avoid the exact situation we find ourselves in today.

I hope you'll take the time to look over this brief report. How we got where we are today is important, but what we do now to fix the problem is even more critical. I've tried to give you the answers to both questions in this newsletter – and, as always, I welcome your comments, questions and advice. I believe we can still avoid unnecessary tax hikes and protect services by creating a more responsible, more sustainable budget next session – and as your state representative, that is exactly what I'll be working to produce.

Sincerely,

Dan Roach
Your State Representative



Building a state budget

The state spending plan actually consists of three separate budgets:

- 1) The operating budget
- 2) The transportation budget, and
- 3) The capital budget.

These budgets are paid for through different funding sources. They are adopted every two years, with the current biennium beginning July 1, 2001 and ending June 30, 2003. However it is normal to make adjustments each year in these budgets to pay for unforeseen emergencies and unexpected needs, such as wildfire suppression, disaster relief and caseload changes.

• Operating budget

The budget we most commonly refer to is the state operating budget, which includes appropriations from the general fund and other dedicated accounts for general government operations. This includes funding for schools, colleges and universities, human/social services, natural resource management and other general needs.

The current 2001-03 general fund budget totals \$22.8 billion. However with the level of spending in the budget combined with declining revenues, some analysts anticipate that we will be facing a deficit in the general fund upwards of \$1 billion.

• Transportation budget

The transportation budget funds highway construction, ferry services, transit services, the Washington State Patrol, and other transportation-related items. The 2001-03 state transportation budget totals \$3.4 billion, but it is widely considered insufficient to meet our state's growing transportation needs. The current budget does not provide funding for new road construction projects over this period – only maintenance and preservation of existing highways.

Lawmakers have been working on a new revenue plan that would provide funding for \$10 billion in new projects to relieve traffic congestion, improve economic opportunities and make highways safer. But an agreement on a funding plan could not be reached during the 2001 session. Among the key sticking points is whether the public should be allowed to vote on any new taxes needed to fund the plan.

• Capital budget

The state capital budget covers construction and remodeling costs for state facilities, including schools, state offices, parks and other items such as habitat improvement. The 2001-03 state capital budget funds approximately \$2.5 billion in construction costs over the two-year budget period.

A large share of state construction costs are funded through bonds, which are often backed by general fund revenues. Due to declining revenues, there is a fear that the state may not be able to support the level of bonding needed to pay for projects in the current budget. The governor has put a hold on borrowing for new construction projects.



Operating budget poses a challenge for lawmakers

More difficult decisions are in store for lawmakers this year, as our state’s economy continues to slow and we work to protect important services.

The collection of tax revenues has been steadily slowing over the past several months due to our cooling economy. Meanwhile, health care costs are rising substantially, we’ve incurred \$10 million in emergency expenses fighting wild-fires this summer, and security issues at schools and other public facilities has become a paramount concern.

It will require a genuine bipartisan effort in the coming months to bring this budget back into balance and make it sustainable over the long term without the need for new taxes.

Bringing a budget into balance

• 2001-03 Budget Picture

The economic forecast released in September showed a drop in tax revenue of more than \$100 million in the current biennium, and that was before economists had a chance to factor in the effects of the Sept. 11 attack on our state and national economy. Some economists warn that we eventually could have a budget shortfall of \$1 billion or more.

2001-03 Projected Tax Revenues	\$22,021,800,000
2001-03 Budget Expenditures	\$22,786,783,000
Difference	-\$765 million

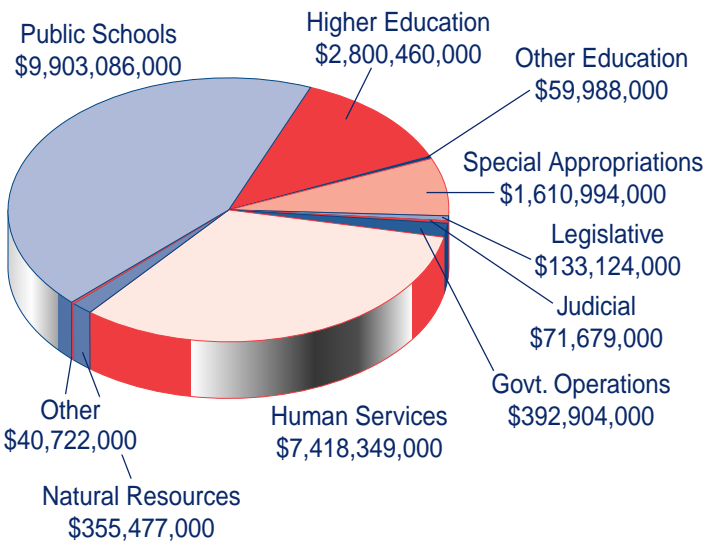
Approximately 43.5 percent of the \$22.8 billion general fund budget goes toward K-12 education – an area of the budget that none of want to see cut. The governor has asked seven of the largest state agencies to prepare contingency cuts of 15 percent from their budgets. The agencies he’s targeted for cuts include the departments of Social and Health Services, Corrections, Community Development, Health, Ecol-

ogy, and Fish and Wildlife, as well as the Office of Trade and Economic Development.

I am encouraged by the governor’s desire to bring our budget back into balance without raising taxes. I remain committed to working with him and with lawmakers of both parties in a bipartisan manner. I’ve long believed that state government can operate more effectively and efficiently – and at a lower cost to you, the taxpayers.

It’s unfortunate that we find ourselves in this position today, but I’m confident that we can find a suitable, common-sense solution.

State Spending for the 2001 Budget



Statewide Total \$22,786,783,000
Projected revenue \$22,021,800,000
Difference \$765,000,000

Printed on recycled paper

PRESORTED
STANDARD
U.S. POSTAGE PAID
Washington State
Department of Printing



Representative
Dan Roach
P.O. Box 40600
Olympia, WA 98504-0600